



AP Tool 3 – Setoff Program Information

V.1.3.

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This tool contains an overview of the Setoff Program which is administered by the Department of Administration



Foundation Information – What is the State of Kansas Setoff Program?

- The Accounts Receivable Setoff Program was established by the State of Kansas in 1981, and is governed by K.S.A. 75-6201 et seq.
- The purpose of the Setoff Program is to Setoff, or intercept, payments being made by the State of Kansas to debtors (individuals or companies) that owe monies to the State of Kansas.
- In subsequent years, Legislation has been passed to also allow municipalities, Kansas District Courts, and foreign State agencies (Colorado, Missouri, Nebraska, and Oklahoma) to participate in the State of Kansas Setoff Program.



Examples of Debts Eligible for the Setoff Program

- Examples of debts submitted to the State of Kansas Setoff Program are: Utilities, taxes, fines, medical services, child support, student loans, education fees, and ambulance services.
- Only **debts equal to, or greater than, \$25.00** may be submitted to the State of Kansas Setoff Program.



Examples of Payments Eligible for the Setoff Program

- Examples of payments that may be setoff by the State of Kansas Setoff Program are: Income taxes, State of Kansas Payroll payments, KPERs (Kansas Public Employees Retirement System) withdrawals of contributions, lottery winnings, miscellaneous State payments, and unclaimed property.



How are Payments Identified to be Setoff?

- Payments are identified for possible Setoff via a Setoff process in SMART. The Setoff process compares the payment recipient's Taxpayer Identification Number (TIN) to those in the Setoff Program's debtor file. The TIN can be a Federal Employer Identification Number (FEIN) or a Social Security Number (SSN).
- If a Setoff match is identified, the payment is Setoff against the lesser of: The debt balance owed, OR, the amount of the payment to the debtor.



Note: Occasionally a 'Matched' payment is NOT Setoff because research determines that one of the files has an incorrect FEIN or SSN.

Miscellaneous State Payments – Setoff Status

- **Q:** *Where can I view the Setoff Status for a miscellaneous State Payment?*
- **A:** The Setoff Status for miscellaneous State payments can be viewed on the **Voucher 'Summary' tab** AND on the **Voucher 'Payment' tab**.

Miscellaneous State Payments – Voucher Setoff Statuses

Not Processed By Setoff:

- The voucher has not yet run through the Setoff batch process
- The Setoff process is run immediately prior to the Paycycle process (Paycycle runs at 3 pm each business day)
- For new vouchers in SMART this is the default status

Exempt from Setoff:

- The voucher contains Account Codes (ChartField values) that are exempt from the Setoff process, therefore the voucher is NOT sent to Setoff

Not Eligible for Setoff:

- The voucher has been run through the Setoff process and NO match was found

No Credit Memo Created:

- The payment was sent to the Setoff program for review. The Setoff staff reviewed the payment and decided no money was to be taken, therefore no credit memo was created.

Voucher Setoff Statuses – Match Was Found

Ready to Send to Setoff:

- The voucher will be sent to Setoff in the overnight batch process for review by the Setoff staff and possible Setoff

Sent to Setoff:

- The voucher has been sent to the Setoff staff for review and possible Setoff
- While in this status, **SMART automatically puts the Voucher on hold using “OTH” as the hold reason** and automatically inactivates the fields
- After review, and the Setoff program intends to Setoff an amount, the Setoff staff send a notification titled “**Notice of Intent to Setoff**”. This notification process occurs outside SMART.
- The “**Notice of Intent to Setoff**” is sent to: The debtor (payment recipient), the State Agency to whom the debt is owed (Creditor Agency), and to the State Agency making the payment to the debtor (Payor Agency). The Payor Agency receives the “Notice of Intent to Setoff” via an email from the Setoff Program. The email address which the Setoff program uses for the Payor Agency comes from the Setoff Program’s records. The Payor Agency email address may be updated by sending an email to KSSetoff@da.ks.gov. The Payor Agency may also choose to send an additional letter to the debtor (see page 3 of this document for an example of a Payor Agency letter).
- Miscellaneous State payments are sent to the Setoff program via the **funding lines**, so a voucher may be only partially Setoff (if a portion of the funding lines is sufficient to cover the debt balance)



Note: Setoff waits **two (2) Business Days** before actually ordering the dollar amount to be Setoff, which allows time for the owed Agency (Creditor Agency) to review and adjust the debt balance. During this time, the status remains “Sent to Setoff”.

If the Setoff staff determine that no money is to be taken, SMART is notified to release the payment immediately (therefore the 2 business days time period does not apply).

Setoff Complete:

- The voucher has been reviewed by the Setoff staff, and all, or a part of, the voucher was Setoff (Monies taken. i.e: The Setoff match was certified)
- A **credit memo** for the Setoff amount has been created in SMART, and this credit memo has an origin code of “SCM”

No Credit Memo Created:

- The voucher has been reviewed by the Setoff staff and no monies were taken
- A **credit memo** for the Setoff amount was not created



Example of Payor Agency Letter to Debtor

Date

Vendor Name

Address

Address

The Kansas Dept of Payor Agency has processed the following payments to your company:

Invoice: 10494

Amount: \$14,885.34

Voucher ID #00012345

This payment was processed through the State of Kansas Department of Administration. We subsequently received notice that **\$XXX89.49 of the payment was retained** by the Accounts Receivable Setoff Program as their records indicate you have a debt owed to the State of Kansas, a Kansas municipality, or a District Court, which must be paid in accordance with K.S.A. 75-6201 et seq. The amount retained will be applied to your debt. Although the Accounts Receivable Setoff Program retained our payment, your office will need to credit our account for the amount of the payment processed as shown above. A copy of the notice we received is enclosed for your files. The notice does not identify the debt for which the setoff occurred.

This letter is not intended to provide official notice of the setoff. Your office should receive a Notice of Intent letter from the Setoff Program indicating where the debt is owed and a contact to call or write to obtain detail information concerning the debt. If you do not feel this is a valid debt, you have a right to request an administrative hearing. The Notice of Intent letter explains your rights to appeal. This letter is sent from our office to your company to ensure that our agency's account is properly credited with the payment, notwithstanding the setoff affected by the Setoff Program.

If you have any questions about this letter, please do not hesitate to contact me. If you have questions regarding the offsetting or our payment to the debt, please contact the Setoff Program at 785-296-4628. If you have questions or concerns about the debt, you need to contact the agency to whom the debt is owed.

Sincerely,

Payor Agency